

MONEY LAUNDERING INDICATORS

CTIF-CFI has drawn up a list of money laundering indicators to which reporting institutions and individuals must pay particular close attention. These are general indicators intended to help financial and non-financial professionals identify money laundering transactions, and are not specific indicators that correspond to laundering the proceeds of a specific predicate offence.

These indicators are presented below, classified by transaction type through which criminals can launder funds of illicit origin. This document includes a non-exhaustive list of potentially suspicious elements requiring close attention. The indicators applicable to financial professionals are presented first, followed by those for non-financial professionals.

1. Financial professionals must pay especially close attention to the following indicators

- Opening an account
 - When opening an account the client refuses to provide the information requested by the financial institution and attempts to limit the amount of information he should be giving, or provides information that is incorrect or difficult to verify;
 - Opening an account where the account holder does not engage in any known form of economic activity and which is used for various financial transactions;
 - Opening an account for which several individuals have signing authority, even though there is no apparent family or business relationship between them;
 - Opening an account that is exclusively used for cash deposits;
 - Submitting falsified documents (particular attention should be paid to documents written in different characters or by hand, as well as to documents that are difficult to decipher);
 - Using an account opened by a local company to carry out deposits and withdrawals in foreign currencies that are not linked to the business activities;
 - Gradually transferring all of the assets of one company to the account of another. This procedure refers to the concept of a “transit account”;
 - Opening an account that remains dormant and then suddenly becomes active, and on which a large number of credit and debit transactions are conducted in a short period of time;

- Opening a large number of accounts by different companies used to conduct various transactions (cashing of cheques, depositing foreign currencies in cash, international transfers), even though these companies do not seem to have any real economic substance. These companies are sometimes set up solely to meet the needs of a criminal scheme. It is not unusual to see their bank accounts literally ‘explode’ in a short period of time, often involving an exponential growth in the number and volume of transactions on their bank accounts.
- Deposits and withdrawals
 - Large amounts are deposited or credited;
 - Cash is deposited at different branches of the same bank;
 - Incoherent economic rationale for the transactions;
 - Presenting bank notes with a suspect appearance (very old notes, notes covered in powder, etc.);
 - Use of the night safe for deposits;
 - Cashing a cheque for a substantial amount to the order of a company, which is not represented by the individual involved;
 - Carrying out cash deposits with the aim of writing out a bank cheque with an unknown beneficial owner.
- Manual exchange transactions
 - Exchanging worn notes in small denominations of foreign currencies, for substantial amounts;
 - Exchanging small denominations for large denominations of the same currency;
 - Splitting transactions into amounts just below the identification threshold of EUR 10 000;
 - Using couriers who often work on behalf of different unidentified ordering parties and who, consequently, ask the financial institution for separate exchange slips;
 - The absence of any economic rationale to conduct transactions in Belgium, as the persons involved (or the people for whom they are acting) are foreign residents, have no links with Belgium and have the possibility of carrying out these transactions in their own country;
 - Repeatedly carrying out exchange transactions without using a bank account;

- The amounts involved are disproportionate to the income normally generated by the profession claimed to be practiced;
 - The unusual nature of the exchange transactions compared to the transactions usually carried out on the individual's account;
 - There is no economic rationale behind the conducted transactions or they are incompatible with the type of transaction carried out.
- International transfers
 - Large transfers to bank accounts on which there are no transactions of any other kind, immediately followed by cash withdrawals or cheques and domestic and international transfers. Analysis of the accounts revealed that these accounts were opened solely to conduct these transactions and that the money never stays on the same account for very long. The balance of these accounts is usually rather limited compared to the number of transactions on the account. The total amount of the transfers is often considerable, yet the balance of these accounts is usually close to zero;
 - The parties involved care more about how fast the bank can carry out their transactions rather than the cost of the transactions, without any economic rationale;
 - Using front men who act as account holders or who hold power of attorney on the accounts;
 - Using front companies. These are dormant or recently established companies that usually have broad corporate goals or goals that no longer correspond to the activities allegedly generating a substantial flow of money, particularly companies that were recently taken over. In addition, these companies repeatedly appoint new directors and often change their name or registered office. These companies also often use front men, fictitious addresses or post-office box addresses;
 - The companies' accounts present an explosive growth of their turnover in a short period of time, often involving an exponential growth in the number and volume of transactions on their bank accounts;
 - The disproportion between the turnover stated by the company and the extent of the financial transactions carried out. Certain invoices that clients present to their bank are incomplete and some essential information is missing, such as VAT number, financial account, invoice number, the address or date;
 - There is no link between the corporate goals and the activities generating the funds;
 - The transactions by the client stop within a relatively short period of time when the bank requests documents to justify the flow of funds.

- Loans

Criminals can also use loan applications for money laundering purposes. This is especially the case when money launderers wish to invest proceeds of crime in real estate. Certain factors should attract the attention of financial institutions, such as a credit application followed by premature repayment of the money withdrawn. Repayment of a mortgage loan by means of transfers or deposits in cash disproportionate to the official earnings of the parties involved is also suspicious.

- Transactions linked to tax havens, offshore centres or non-cooperative countries and territories

Money laundering files often involve companies, including financial institutions, established in tax havens or offshore centres. Transit accounts are frequently used for funds originating abroad. These funds are then transferred as quickly as possible to accounts of companies based in tax havens or offshore centres. Disclosing entities must be particularly attentive when transactions involving tax havens and offshore centres are involved.

- Insurance companies

- A client concluding an insurance contract who is particularly interested in its early surrender and in the amount that he will have at his disposal;
- Concluding a contract with very high premiums;
- Purchasing a single premium policy paid in cash or by cheque for a amount clearly disproportionate to the subscriber's income;
- Concluding an insurance contract for a considerable sum, and premiums are paid from abroad, in particular from an offshore financial centre;
- Substituting, during the life of the contract, the initial beneficiary with a person without any apparent link to the policyholder;
- Cancellation of the contract, without the client worrying about the considerable tax or other cancellation charges that he has to pay as a result.

2. Non-financial professionals must pay especially close attention to the following indicators

- Notaries
 - The client does not live in the region where the notary has his or her chambers or does not form part of the notary's usual clientele. He uses an intermediary unknown to the notary or asks the notary for a service that a notary in the client's own area could perfectly well have conducted, and neither the client nor the other notary have an adequate explanation;
 - The client uses or wishes to use front companies, whereas there is no or does not seem to be any legitimate fiscal, legal or commercial reason for doing so;
 - The client uses or wishes to use foreign companies, whereas there is no or does not seem to be any legitimate fiscal, legal or commercial reason for doing so;
 - The client has established or wishes to establish different companies within a short timeframe either for himself or for the benefit of another person, whereas there is no or does not seem to be any legitimate fiscal, legal or commercial reason for doing so;
 - The client wishes to form or purchase a company with dubious corporate goals or that do not seem to have any relationship with his normal professional or corresponding activities and he cannot provide the notary with adequate explanations;
 - The client is involved in an unusual transaction which does not appear to be related to or is disproportionate to the normal exercise of his profession or corresponding activities and he cannot provide the notary with adequate explanations;
 - Properties are sold repeatedly with unusual profit margins and a clear explanation for transactions cannot be provided;
 - Payments are made in the client's name to the notary's account originating from financial institutions, companies established in or individuals residing in a country known for its enhanced banking secrecy, its favourable fiscal system, its production of drugs, and it is not possible to verify who ultimately controls this company;
 - The notary receives money from a client to pay a third party, even though the notary cannot find any reason to justify this payment;
 - The client uses a front man without any legitimate fiscal, legal or commercial reason for doing so;
 - The client repeatedly changes notaries within a short timeframe without the notary being able to find an adequate explanation for this behaviour;

- The client wishes to pay an advance in cash amounting to more than 10% of the sales price of the real estate;
 - The client wishes to pay an advance in cash of more than EUR 5 000;
 - The client refuses or raises objections to provide the notary with the account number through which the amount has been or will be debited;
 - The client refuses to pay or raises objections to paying the sales price by bank transfer or cheque even though the amount exceeds EUR 5 000;
 - The client uses documents, in particular identity documents that appear to be forged.
- Bailiffs

Bailiffs must be particularly attentive in the following cases:

- During seizures the bailiff finds illegal goods or merchandise or luxury items that do not reflect the economic status of the individuals involved;
- The funds seized are considerable and their origin does not seem to fit in with the economic status of the individuals involved;
- At an auction of movable property the bailiff finds that a bidder offers an amount that is disproportionate to the value of the item and pays for the item in large amounts of cash or in foreign currency.

- Lawyers

Lawyers must be particularly attentive in the following cases:

- Money launderers ask lawyers to introduce them to financial institutions;
- Money launderers approach lawyers when they are incorporating companies such as trusts and *International Business Companies* or fiduciaries to safeguard their anonymity and disguise the illegal origin of funds;
- People who wish to remain anonymous use lawyers' third-party accounts;
- Money launderers turn to a lawyer when they wish to invest in real estate. Purchasing or selling properties for a price far over or below its value should arouse a lawyer's suspicions. This is also the case for real estate investments by foreign nationals without any links to Belgium or disproportionate to the client's socio-economic status.

- Casinos

- Purchase or sale of gambling chips by a client in conjunction with or preceded by the use of false identity papers, an alias or any other means hampering his identification;
- Sale or exchange of gambling chips from other casinos for an amount of EUR 1 000 or more in cash;
- The purchase of gambling chips by a client for an amount of EUR 10 000 or more in cash or by means of a bank card or a credit card;
- The purchase of gambling chips by a client for an amount of EUR 2 500 or more in foreign currencies;
- The sale of gambling chips by a client for an amount of EUR 2.500 or more against one or several cheques or bank transfers;
- The purchase of gambling chips by a client for an amount disproportionate to his known financial status;
- The sale of gambling chips by a client whose gambling behaviour does not correspond to that of a normal player and whose intention to play to win is apparently absent or secondary;
- The client deposits cash, cheques or other assets for an amount of EUR 2 500 or more;
- Payment of gambling chips to a third party upon the client's request;
- Client requesting a receipt when cashing in cheques;
- Regular purchase and sale of gambling chips under the threshold, presumably to prevent a disclosure;

- Real estate agents

- The client wishes to buy real estate with a substantial amount of cash;
- The client buys real estate without having seen the property;
- The client buys real estate in name of a third party without an apparent link to the client;
- The client uses different names for the sales agreement, the sale and the payment;
- The client wishes to pay an advance in cash amounting to more than 10% of the sales price of the property;

- The client wishes to pay an advance in cash of more than EUR 5 000;
- The client refuses or raises objections to provide the notary with the account number through which the amount has been or will be debited;
- The client refuses to pay or raises objections to paying the sales price by bank transfer or cheque even though the amount exceeds EUR 5 000;
- External certified accountants, approved accountants, tax specialist-accountant, external tax advisors, company auditors
- The client seems to live beyond his means, taking into account his professional activities;
- The client asks the external accountant to be introduced to a credit institutions in order to open accounts even though the company does not conduct any business in this country and the client does not have a clear insight into its future activities in the country;
- The purchase invoices are always paid upon receipt;
- The purchase invoices are immediately followed by sales invoices for a nearly identical amount (increased by a small margin);
- The funds never stay on the company's account for very long (transit account);
- The invested amounts are disproportionate to the client's profile;
- Contribution in cash when the company is set up or in case of capital increase;
- Overestimated contribution in kind (material, current account);
- Capital increase by contribution in kind from a current account partly made up of cash itself;
- Company is suspiciously dissolved shortly after it was set up;
- Equity investments considered to be suspicious by the disclosing entity;
- Several changes to the articles of association in a short period of time: change of corporate goals, registered office, the managing directors also often change;
- The genuine activity does not correspond to the activity mentioned in the articles of association;
- Some sales invoices do not have the required transport documents, cash deposits are also carried out – suspicions of VAT carousel fraud (illegal trade);

- Suspicion of fake invoices (irregularities with purchase invoices);
- Suspicion of fictitious invoices (irregularities with purchase invoices);
- Turnover is only partially recorded in the accounts;
- Large number of purchase invoices from one sole contractor (fake invoices or VAT carousel fraud);
- Irregularities with regard to intra-group invoices;
- A large number of purchase invoices are from the same group;
- The company pays consultancy fees to offshore companies;
- The annual accounts are submitted late or not submitted at all;
- Resources from the client's professional activities are disproportionate to the business sector;
- The client always uses different accountants;
- The company does not have any employees, which is abnormal given the business activity;
- The company purchases goods (such as boats and luxury cars) without any link to the business activity.

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